



Treating Children Equitably

Equal vs. Equitable

One of the most important decisions you will make in your lifetime is how your farm will be passed on to the next generation. Further complicating this decision are ways to provide for an equitable distribution of assets among your children. Time and time again families run into conflicts over these decisions. If you want the farm business to continue, more than likely you will not be able to treat your children equally and ensure the survival of your farm business.

Suppose you're Farmer Brown and have three children, two daughters and one son. Your son went to college, got a degree in accounting and is a partner in a local accounting firm. His wife and two children are content with their current lifestyle, happy to visit the farm for family occasions. Your older daughter married a farmer from another area of the state and moved in with his family to be part of their operation. She also has two children and a stable future. Your younger daughter, still single, has always expressed an interest in the workings of the farm. She'd rather do farm work than house work and has demonstrated her keen interest and ability by increasing farm profits through her management skills.

Equal Distribution Hinders Farm Child

Leaving your farm business equally to your three equally loved children, in this scenario is probably a big mistake. Neither your son nor your older daughter has contributed to the labor or management on your farm for quite some time, and each has established another family and career. Neither one is intimately knowledgeable about the workings of your farm like your younger daughter. Why should she work to increase farm profits if she will eventually be forced to share the fruits

of her labor with her two siblings? Or worse yet, having her buy out her two siblings may force her into an untenable situation where she has no hope of being profitable.

Although it may seem obvious who should succeed in this farm business, without frank discussions about why you are leaving the farm to certain children, your heirs may take a dim view of your decision. Instead they may see these decisions more as a barometer of your love, especially when you're talking about the family farm. If Farmer Brown's children learn at the reading of the will that the farm has been left to their younger sister, they likely won't consider her hard work on the farm and her sacrifices for the business. They might even think, "See, Dad really did love her best."

Keys to a Continuing Farm Legacy

If you want your farm legacy to continue:

- 1) Call family meetings to discuss each child's future role and interest in the business.
- 2) Seek the advice and counsel of outside experts such as attorneys and farm consultants.
- 3) Determine the farm's financial feasibility, if the farm cannot support even one family look for other avenues to generate income such as off-farm employment, value-added enterprises, or expansion.
- 4) If more than one child has an interest in the business and the farm can support more than one operator, consider partnership agreements or selling shares that cannot be sold outside the family.
- 5) Determine if children who are not involved in the business should be able to share in the profits.
- 6) Discuss and determine compensation for children who are not involved in the farm.